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NEW APPLICATION
Lance J.M. SteinhartAttorney At Law
6455 East Johns Crossing
Suite 285
Duluth, Georgia 30097RECEIVED
AZ CORP COMMISSION

DEC 23 3 19 PM '98

Also Admitted in New York
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Telephone: (770) 232-9200
Facsimile: (770) 232-9208

December 18, 1998

VIA AIRBORNE EXPRESSDocket Control Center
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007Re: Telcorp, Ltd.
Requirements for Certified Switchless Resellers

Dear Sir/Madam:

Enclosed please find for filing an original and ten (10) copies of Telcorp, Ltd.'s Application and Petition for Certificate of Public Convenience and Necessity to Provide Competitive Intrastate Telecommunications as a Reseller.

I have also enclosed an extra copy of this letter to be date stamped and returned to me in the enclosed, self addressed, postage prepaid envelope.

If you have any questions or if I may provide you with any additional information, please do not hesitate to contact me. Thank you for your attention to this matter.

Respectfully submitted,


Lance J.M. Steinhart

Attorney for Telcorp, Ltd.

Enclosures

cc: Stephen Samuels

ARIZONA CORPORATION COMMISSION

Application and Petition for Certificate of Convenience and Necessity to Provide
Competitive Intrastate Telecommunications Services as a Reseller

Mail original plus 10 copies
of completed application to:

Docket Control Center
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

For Docket Control Only:
(Place Stamp Here)

If you have current applications
pending in Arizona for provision
of reseller, AOS, or other
telecommunication services,
please identify:

Type of Service:

Docket No.:

Date:

DOCKET NO.

T-03681A-98-0754

Docket No.:

Type of Service:

Docket No.:

Date:

Date Docketed:

A. Company and Telecommunications Service Information

(A-1) The name, address, and telephone number of the applicant (company):

Telcorp, Ltd.
1250 Broadway
Hewlett, New York 11557
(516) 569-5000/Phone
(516) 569-7133/Fax

(A-2) If doing business (dba) under a name other than the applicant (company) name
listed above, specify:

(A-3) The name, address, telephone number, and facsimile number of the management contact:

Joe Inguagiato
Telcorp, Ltd.
1250 Broadway
Hewlett, New York 11557
(516) 569-5000/Phone
(516) 569-7133/Fax

(A-4) The name, address, and telephone of the attorney, if any, representing the applicant:

Lance J.M. Steinhart
Attorney at Law
6455 East Johns Crossing
Suite 285
Duluth, Georgia 30097
770-232-9200/Phone
770-232-9208/Fax

(A-5) What type of legal entity is the applicant?

☐ Sole proprietorship

☐ Partnership ☐ limited,
☐ general,
☐ Arizona,
☐ Foreign

☐ Limited liability company

☒ Corporation ☐ "S",
☐ "C",
☐ non-profit,
☐ Arizona,
☒ Foreign

☐ Other, specify:

(A-6) Include "Attachment A." Attachment A must list names of all owners, partners, limited liability company managers, or corporation officers and directors (specify), and indicate percentages of ownership.

Application and Petition for Competitive Reseller CC&N

- (A-7) 1. Is your company currently reselling telecommunication service in Arizona? If yes, provide the date or the approximate date that you began reselling service in Arizona.

Yes.

2. If the answer to 1. is "yes", identify the types of telecommunications services you resell; whether operator services are provided or resold and whether they are provided or resold to traffic aggregators (as defined in A.A.C. Rule R14-2-1001(3), a copy of which is attached); the number of customers in Arizona for each type of service; and the total number of intrastate minutes resold in the latest 12 month period for which data are available. Note: The Commission rules require that a separate CC&N, issued under Article 10, be obtained in order to provide operator services to traffic aggregators.

The company currently resells 1+ outbound, 800/888 inbound toll-free, and post paid calling cards. Operator services are provided by the underlying carrier and are not provided or resold to traffic aggregators. The company currently has less than 10 Arizona customers and the total number of intrastate minutes resold in the latest 12 month period (through September of 1998) is approximately 5,000.

3. If the answer to 1. is "no", when does your company plan to begin reselling service in Arizona?

Application and Petition for Competitive Reseller CC&N

- (A-8) Include "Attachment B." Attachment B, your proposed tariff, must include proposed rates and charges for each service to be provided, state the tariff (maximum) rate as well as the price to be charged, and state other terms and conditions, including deposits, that will apply to provision of the service(s) by your company.

The Commission provides pricing flexibility by allowing competitive telecommunications service companies to price their services at levels equal to or below the tariff (maximum) rates. The prices to be charged by the company are filed with the Commission in the form of price lists. See the "Illustrative Tariff/Price List Example" attached. Note: Price list rate changes that result in rates that are lower than the tariff rate are effective upon concurrent notice to the Commission (See Rule R14-2-1109(B)(2)). See Rule R14-2-1110 for the procedures to make price list changes that result in rates that are higher than the tariff rate.

- (A-9) The geographic market to be served is:

 X statewide.

 other, describe and provide a map depicting the area.

- (A-10) List the states in which you currently resell services similar to those you intend to resell in Arizona.

Alabama, Arkansas, California, Colorado, Connecticut, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Maryland, Massachusetts, Michigan, Mississippi, Missouri, Montana, Nebraska, New Hampshire, New Jersey, New York, North Dakota, Ohio, Pennsylvania, Rhode Island, Tennessee, Texas, Utah, Virginia, Washington, West Virginia and Wisconsin.

Application and Petition for Competitive Reseller CC&N

(A-12)	<p>Provide a list of states in which you have sought authority to resell telecommunications services and in which the state granted the authority <u>with major changes and conditions</u> or <u>did not grant</u> your application for those services. For each state listed, provide a copy of the commission's decision modifying or denying your application for authority to provide telecommunications services.</p> <p>None.</p>
(A-13)	<p>Has the company been granted authority to provide or resell telecommunications services in any state where subsequently the <u>authority was revoked</u>? If "yes", provide copies of the state regulatory commission's decision revoking its authority.</p> <p>No.</p>
(A-14)	<p>Has the company been or is the company currently involved in any formal complaint proceedings before any state or federal regulatory commission? If "yes", in which states is the company involved in proceedings and what is the substance of these complaints. Also, provide copies of commission orders that have resolved any of these complaints.</p> <p>No.</p>
(A-15)	<p>Has the applicant been involved in any civil or criminal investigations related to the delivery of telecommunications services within the last five years? If "yes", in which states has the applicant been involved in investigations and why is the applicant being investigated?</p> <p>No.</p>
(A-16)	<p>Has the applicant had judgment entered against it in any civil matter or been convicted of criminal acts related to the delivery of telecommunications services within the last five years? If yes, list the states where judgment or conviction was entered and provide a copy of the court order.</p> <p>No.</p>

Application and Petition for Competitive Reseller CC&N

B. Technical Information

- (B-1) If your company is a switchless reseller, provide the name of the company or companies whose services you resell and skip to question (B-2). If you are not a switchless reseller, complete the remainder of this section.

Yes, Sprint and MCI WorldCom.

Include "Attachment C." Attachment C should provide the following information: A diagram of the applicant's basic call network used to complete Arizona intrastate telecommunications traffic. This diagram should show how a typical call is routed in both its originating and terminating ends (i.e. show the access network and call completion network).

Also include on the diagram the carrier(s) used for each major network component and indicate if the carrier is facilities-based or not. If the carrier is not facilities-based, indicate who owns the facilities (within the State of Arizona) that are used to originate and terminate the applicant's intrastate telecommunications traffic (i.e. provide a list of the Arizona facilities-based long distance carriers whose facilities are used to complete the applicant's intrastate traffic).

- (B-2) Will your customers be able to access alternative toll service providers or resellers via 1+ or 101XXXX access, if your system becomes non-operational?

Yes.

Application and Petition for Competitive Reseller CC&N

C. Financial Information

(C-1) Include "Attachment D." Attachment D should provide copies of the following audited financial information for the most recent two years for all Arizona operations. Check boxes indicating items attached.

☐ current intrastate balance sheet

☐ current intrastate income statement

☐ current intrastate cash flow statement

☒ other financial information evidencing financial resources.

Application and Petition for Competitive Reseller CC&N

I certify that if the applicant is an Arizona corporation, a current copy of the Articles of Incorporation is on file with the Arizona Corporation Commission and the applicant holds a Certificate of Good Standing from the Commission. If the company is a foreign corporation or partnership, I certify that the company has authority to transact business in Arizona. I certify that all appropriate city, county and/or State agency approvals have been obtained. Upon signing of this application I attest that I have read the Commission's rules and regulations related to the regulation of telecommunications services and that the company will abide by Arizona State law including the Arizona Corporation Commission Rules and Regulations. I agree that the Commission's rules apply in the event there is a conflict between those rules and the company's tariff, unless otherwise ordered by the Commission. I certify that to the best of my knowledge the information provided in this Application and Petition is true and correct.

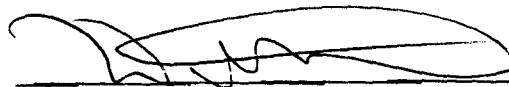

(Signature of Authorized Representative)

June 25, 1998
(Date)

Stephen Samuels
(Printed Name of Authorized Representative)

President
(Title)

SUBSCRIBED AND SWORN to before me this 25 day of June, 1998.


NOTARY PUBLIC

My Commission Expires:

WILLIAM NECKLES
Notary Public, State of New York
No. 4973035
Qualified in Nassau County
Commission Expires Oct. 9, 1998

ATTACHMENTS

A - Officers and Directors

OFFICERS/DIRECTORS:

Stephen Samuels	President/Director	
Joe Inguagiato	Vice President, Treasurer, Secretary/Director	50% owner

B - Proposed Tariff

D - Financial Statements

TELCORP, LTD.

ORIGINAL SHEET 1
ARIZONA CC TARIFF NO. 1

TITLE SHEET

ARIZONA TELECOMMUNICATIONS TARIFF

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of service or facilities for Telecommunications Services furnished by Telcorp, Ltd.

("Telcorp"), with principal offices at 1250 Broadway, Hewlett, New York 11557. This tariff applies for services furnished within the State of Arizona. This tariff is on file with the Arizona Corporation Commission, and copies may be inspected, during normal business hours, at the company's principal place of business.

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 1250 Broadway
 Hewlett, New York 11557

CONCURRING, CONNECTING OR
OTHER PARTICIPATING CARRIERS

1. Concurring Carriers - None
2. Connecting Carriers - None
3. Other Participating Carriers - None

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 Hewlett, New York 11557

CHECK SHEET

Sheets 1 through 30 inclusive of this tariff are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date on the bottom of this sheet.

<u>SHEET</u>	<u>REVISION</u>
1	Original
2	Original
3	Original
4	Original
5	Original
6	Original
7	Original
8	Original
9	Original
10	Original
11	Original
12	Original
13	Original
14	Original
15	Original
16	Original
17	Original
18	Original
19	Original
20	Original
21	Original
22	Original
23	Original
24	Original
25	Original
26	Original
27	Original
28	Original
29	Original
30	Original

* New or Revised Sheet

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TARIFF FORMAT

A. Sheet Numbering: Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between pages 11 and 12 would be page 11.1.

B. Sheet Revision Numbers: Revision numbers also appear in the upper right corner of each sheet where applicable. These numbers are used to indicate the most current page version on file with the Commission. For example, 4th Revised Sheet 13 cancels 3rd Revised Sheet 13. Consult the Check Sheet for the sheets currently in effect.

C. Paragraph Numbering Sequence: There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

- 2.
- 2.1
- 2.1.1
- 2.1.1.A
- 2.1.1.A.1
- 2.1.1.A.1.(a)
- 2.1.1.A.1.(a).I
- 2.1.1.A.1.(a).I.(i)
- 2.1.1.A.1.(a).I.(i).(1)

D. Check Sheets: When a tariff filing is made with the Commission, an updated Check Sheet accompanies the tariff filing. The Check Sheet lists the sheets contained in the tariff, with a cross reference to the current Revision Number. When new sheets are added, the Check Sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this sheet if these are the only changes made to it (i.e., the format, etc. remains the same, just revised revision levels on some sheets). The tariff user should refer to the latest Check Sheet to find out if a particular sheet is the most current on Commission file.

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SYMBOLS

The following are the only symbols used for the purposes indicated below:

- (C) to signify change in regulation
- (D) to signify a deletion
- (I) to signify a rate increase
- (L) to signify material relocated in the tariff
- (N) to signify a new rate or regulation
- (R) to signify a rate reduction
- (T) to signify a change in text, but no change in rate or regulation

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SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS

Access Line - An arrangement from a local exchange telephone company or other common carrier, using either dedicated or switched access, which connects a Customer's location to Telcorp location or switching center.

Authorization Code - A numerical code, one or more of which may be assigned to a Customer, to enable Telcorp to identify the origin of the Customer so it may rate and bill the call. Automatic number identification (ANI) is used as the authorization code wherever possible.

Commission - Used throughout this tariff to mean the Arizona Corporation Commission.

Customer - The person, firm, corporation or other legal entity which orders the services of ATC, and is responsible for the payment of charges and for compliance with the Company's tariff regulations.

Company or Telcorp - Used throughout this tariff to mean Telcorp, Ltd., a New York corporation.

Dedicated Access - The Customer gains entry to the Company's services by a direct path from the Customer's location to the Company's point of presence.

Resp. Org - Responsible Organization or entity identified by an 800 service Customer that manages and administers records in the 800 database and management system.

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Switched Access - The Customer gains entry to the Company's services by a transmission line that is switched through the local exchange carrier to reach the Company's point of presence.

Telecommunications - The transmission of voice communications or, subject to the transmission capabilities of the services, the transmission of data, facsimile, signaling, metering, or other similar communications.

Underlying Carrier - The telecommunications carrier whose network facilities provide the technical capability and capacity necessary for the transmission and reception of Customer telecommunications traffic.

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SECTION 2 - RULES AND REGULATIONS**2.1 Undertaking of the Company**

This tariff contains the regulations and rates applicable to intrastate resale telecommunications services provided by Telcorp for telecommunications between points within the State of Arizona. Resale services are furnished subject to the availability of facilities and subject to the terms and conditions of this tariff in compliance with limitations set forth in the Commission's rules. The Company's services are provided on a statewide basis and are not intended to be limited geographically. The Company offers service to all those who desire to purchase service from the Company consistent with all of the provisions of this tariff. Customers interested in the Company's services shall file a service application with the Company which fully identifies the Customer, the services requested and other information requested by the Company. The Company reserves the right to examine the credit record and check the references of all applicants and Customers prior to accepting the service order. The service application shall not in itself obligate the Company to provide services or to continue to provide service if a later check of applicant's credit record is, in the opinion of the Company, contrary to the best interest of the Company. The Company may act as the Customer's agent for ordering access connection facilities provided by other carriers or entities when authorized by the Customer, to allow connection of a Customer's location to a service provided by the Company. The Customer shall be responsible for all charges due for such service arrangement.

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- 2.1.1 The services provided by Telcorp are not part of a joint undertaking with any other entity providing telecommunications channels, facilities, or services, but may involve the resale of the Message Toll Services (MTS) and Wide Area Telecommunications Services (WATS) of underlying common carriers subject to the jurisdiction of this Commission.
- 2.1.2 The rates and regulations contained in this tariff apply only to the resale services furnished by Telcorp and do not apply, unless otherwise specified, to the lines, facilities, or services provided by a local exchange telephone company or other common carriers for use in accessing the services of Telcorp.
- 2.1.3 The Company reserves the right to limit the length of communications, to discontinue furnishing services, or limit the use of service necessitated by conditions beyond its control, including, without limitation: lack of satellite or other transmission medium capacity; the revision, alteration or repricing of the Underlying Carrier's tariffed offerings; or when the use of service becomes or is in violation of the law or the provisions of this tariff.

2.2 Use of Services

- 2.2.1 Telcorp services may be used for any lawful purpose consistent with the transmission and switching parameters of the telecommunications facilities utilized in the provision of services, subject to any limitations set forth in this Section 2.2.
- 2.2.2 The use of Telcorp services to make calls which might reasonably be expected to frighten, abuse, torment, or harass another or in such a way as to unreasonably interfere with use by others is prohibited.

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- 2.2.3 The use of Telcorp services without payment for service or attempting to avoid payment for service by fraudulent means or devices, schemes, false or invalid numbers, or false calling or credit cards is prohibited.
- 2.2.4 Telcorp services are available for use twenty-four hours per day, seven days per week.
- 2.2.5 Telcorp does not transmit messages, but the services may be used for that purpose.
- 2.2.6 Telcorp services may be denied for nonpayment of charges or for other violations of this tariff.
- 2.2.7 Customers shall not use the service provided under this tariff for any unlawful purpose.
- 2.2.8 The Customer is responsible for notifying the Company immediately of any unauthorized use of services.

2.3 Liability of the Company

- 2.3.1 The Company shall not be liable for any claim, loss, expense or damage for any interruption, delay, error, omission, or defect in any service, facility or transmission provided under this tariff, if caused by the Underlying Carrier, an act of God, fire, war, civil disturbance, act of government, or due to any other causes beyond the Company's control.
- 2.3.2 The Company shall not be liable for, and shall be fully indemnified and held harmless by the Customer against any claim, loss, expense, or damage for defamation, libel, slander, invasion, infringement of copyright or patent, unauthorized use of any trademark, trade name or service mark, proprietary or creative right, or any other injury to any person, property or entity arising out of the material, data or information transmitted.

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- 2.3.7 The remedies set forth herein are exclusive and in lieu of all other warranties and remedies, whether express, implied, or statutory, INCLUDING WITHOUT LIMITATION IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

2.4 Responsibilities of the Customer

- 2.4.1 The Customer is responsible for placing any necessary orders and complying with tariff regulations. The Customer is also responsible for the payment of charges for services provided under this tariff.
- 2.4.2 The Customer is responsible for charges incurred for special construction and/or special facilities which the Customer requests and which are ordered by Telcorp on the Customer's behalf.
- 2.4.3 If required for the provision of Telcorp's services, the Customer must provide any equipment space, supporting structure, conduit and electrical power without charge to Telcorp.
- 2.4.4 The Customer is responsible for arranging access to its premises at times mutually agreeable to Telcorp and the Customer when required for Telcorp personnel to install, repair, maintain, program, inspect or remove equipment associated with the provision of Telcorp's services.
- 2.4.5 The Customer shall cause the temperature and relative humidity in the equipment space provided by Customer for the installation of Telcorp equipment to be maintained within the range normally provided for the operation of microcomputers.

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- 2.4.6 The Customer shall ensure that the equipment and/or system is properly interfaced with Telcorp facilities or services, that the signals emitted into Telcorp network are of the proper mode, bandwidth, power and signal level for the intended use of the subscriber and in compliance with criteria set forth in this tariff, and that the signals do not damage equipment, injure personnel, or degrade service to other Customers. If the Federal Communications Commission or some other appropriate certifying body certifies terminal equipment as being technically acceptable for direct electrical connection with interstate communications service, Telcorp will permit such equipment to be connected with its channels without the use of protective interface devices. If the Customer fails to maintain the equipment and/or the system properly, with resulting imminent harm to Telcorp equipment, personnel or the quality of service to other Customers, Telcorp may, upon written notice, require the use of protective equipment at the Customer's expense. If this fails to produce satisfactory quality and safety, Telcorp may, upon written notice, terminate the Customer's service.
- 2.4.7 The Customer must pay Telcorp for replacement or repair of damage to the equipment or facilities of Telcorp caused by negligence or willful act of the Customer or others, by improper use of the services, or by use of equipment provided by Customer or others.
- 2.4.8 The Customer must pay for the loss through theft of any Telcorp equipment installed at Customer's premises.
- 2.4.9 If Telcorp installs equipment at Customer's premises, the Customer shall be responsible for payment of any applicable installation charge.

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- 2.4.10 The Customer must use the services offered in this tariff in a manner consistent with the terms of this tariff and the policies and regulations of all state, federal and local authorities having jurisdiction over the service.

2.5 Cancellation or Interruption of Services

- 2.5.1 Without incurring liability, upon five (5) working days' (defined as any day on which the company's business office is open and the U.S. Mail is delivered) written notice to the Customer, Telcorp may immediately discontinue services to a Customer or may withhold the provision of ordered or contracted services:
- 2.5.1.A For nonpayment of any sum due Telcorp for more than thirty (30) days after issuance of the bill for the amount due,
 - 2.5.1.B For violation of any of the provisions of this tariff,
 - 2.5.1.C For violation of any law, rule, regulation, policy of any governing authority having jurisdiction over Telcorp services, or
 - 2.5.1.D By reason of any order or decision of a court, public service commission or federal regulatory body or other governing authority prohibiting Telcorp from furnishing its services.

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- 2.5.2 Without incurring liability, Telcorp may interrupt the provision of services at any time in order to perform tests and inspections to assure compliance with tariff regulations and the proper installation and operation of Customer and Telcorp equipment and facilities and may continue such interruption until any items of noncompliance or improper equipment operation so identified are rectified.
- 2.5.3 Service may be discontinued by Telcorp without notice to the Customer, by blocking traffic to certain countries, cities or NXX exchanges, or by blocking calls using certain Customer authorization codes, when Telcorp deems it necessary to take such action to prevent unlawful use of its service. Telcorp will restore service as soon as it can be provided without undue risk, and will, upon request by the Customer affected, assign a new authorization code to replace the one that has been deactivated.
- 2.5.4 The Customer may terminate service upon thirty (30) days written notice for the Company's standard month to month contract. Customer will be liable for all usage on any of the Company's service offerings until the Customer actually leaves the service. Customers will continue to have Company usage until the Customer notifies its local exchange carrier and changes its long distance carrier. Until the Customer so notifies its local exchange carrier, it shall continue to generate and be responsible for long distance usage.

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2.6 Credit Allowance

- 2.6.1 Credit may be given for disputed calls, on a per call basis.
- 2.6.2 Credit shall not be issued for unavailability of long distance services.

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2.7 Restoration of Service

The use and restoration of service shall be in accordance with the priority system specified in part 64, Subpart D of the Rules and Regulations of the Federal Communications Commission.

2.8 Deposit

The Company does not require deposits.

2.9 Advance Payments

The Company does not require advance payments.

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2.10 Payment and Billing

- 2.10.1 Service is provided and billed on a billing cycle basis, beginning on the date that service becomes effective. Billing is payable upon receipt.
- 2.10.2 The customer is responsible for payment of all charges for services furnished to the Customer, as well as to all persons using the Customer's codes, exchange lines, facilities, or equipment, with or without the knowledge or consent of the Customer. The security of the Customer's Authorization Codes, subscribed exchange lines, and direct connect facilities is the responsibility of the Customer. All calls placed using direct connect facilities, subscribed exchange lines, or Authorization Codes will be billed to and must be paid by the Customer. Recurring charges and non-recurring charges are billed in advance. Charges based on actual usage during a month and any accrued interest will be billed monthly in arrears.
- 2.10.3 All bills are presumed accurate, and shall be binding on the customer unless objection is received by the Company in writing within 30 days after such bills are rendered. No credits, refunds, or adjustments shall be granted if demand therefore is not received by the Company in writing within such 30 day period.

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2.11 Collection Costs

In the event Company is required to initiate legal proceedings to collect any amounts due to Company for regulated or non-regulated services, equipment or facilities, or to enforce any judgment obtained against a Customer, or for the enforcement of any other provision of this tariff or applicable law, Customer shall, in addition to all amounts due, be liable to Company for all reasonable costs incurred by Company in such proceedings and enforcement actions, including reasonable attorneys' fees, collection agency fees or payments, and court costs. In any such proceeding, the amount of collection costs, including attorneys' fees, due to the Company, will be determined by the court.

2.12 Taxes

All federal, state and local taxes, assessments, surcharges, or fees, including sales taxes, use taxes, gross receipts taxes, and municipal utilities taxes, are billed as separate line items and are not included in the rates quoted herein.

2.13 Late Charge

A late fee of 1.5% per month or the amount otherwise authorized by law, whichever is lower, will be charged on any past due balances.

2.14 Returned Check Charge

A fee will be charged whenever a check or draft presented for payment for service is not accepted by the institution on which it is written.

ISSUE DATE: December 21, 1998 EFFECTIVE DATE:
ISSUED BY: Joe Inguagiato, Vice-President
 1250 Broadway
 Hewlett, New York 11557

SECTION 3 - DESCRIPTION OF SERVICE**3.1 Computation of Charges**

- 3.1.1 The total charge for each completed call may be a variable measured charge dependent on the duration, distance and time of day of the call. The total charge for each completed call may also be dependent only on the duration of the call, i.e. a statewide flat rate per minute charge. The variable measured charge is specified as a rate per minute which is applied to each minute. All 1+ and toll-free calls are measured in six second increments with an eighteen second minimum per call. All travel card and prepaid calling card calls are measured in one minute increments. All calls are rounded up to the next whole increment.
- 3.1.2 Where mileage bands appear in a rate table, rates for all calls are based upon the airline distance between the originating and terminating points of the call, as determined by the vertical and horizontal coordinates associated with the exchange (the area code and three digit central office code) associated with the originating and terminating telephone numbers. If the Customer obtains access to the Company's network by a dedicated access circuit, that circuit will be assigned an exchange for rating purposes based upon the Customer's main telephone number at the location where the dedicated access circuit terminates. The vertical and horizontal (V & H) coordinates for each exchange and the airline distance between them will be determined according to industry standards.

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3.1.3 Timing begins when the called station is answered and two way communication is possible, as determined by standard industry methods generally in use for ascertaining answer, including hardware answer supervision in which the local telephone company sends a signal to the switch or the software utilizing audio tone detection. Recognition of answer supervision is the responsibility of the Underlying Carrier. Timing for each call ends when either party hangs up. Telcorp will not bill for uncompleted calls.

3.2 Customer Complaints and/or Billing Disputes

Customer inquiries or complaints regarding service or accounting may be made in writing or by telephone to the Company at:

1250 Broadway
Hewlett, New York 11557
800-742-3220

Any objection to billed charges should be reported promptly to Telcorp. Adjustments to Customers' bills shall be made to the extent that records are available and/or circumstances exist which reasonably indicate that such charges are not in accordance with approved rates or that an adjustment may otherwise be appropriate. Where overbilling of a subscriber occurs, due either to Company or subscriber error, no liability exists which will require the Company to pay any interest, dividend or other compensation on the amount overbilled.

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If a Customer accumulates more than One Dollar of undisputed delinquent Telcorp 800 Service charges, the Telcorp Resp. Org. reserves the right not to honor that Customer's request for a Resp. Org. change until such undisputed charges are paid in full.

3.3 Level of Service

A Customer can expect end to end network availability of not less than 99% at all times for all services.

3.4 Billing Entity Conditions

When billing functions on behalf of Telcorp or its intermediary are performed by local exchange telephone companies or others, the payment of charge conditions and regulations of such companies and any regulations imposed upon these companies by regulatory bodies having jurisdiction apply. Telcorp's name and toll-free telephone number will appear on the Customer's bill.

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3.5 Service Offerings

3.5.1 1+ Dialing

The customer dials "1" plus ten digits or dials "101XXXX" followed by "1 + ten digits". This service permits Customers to originate call via switched or dedicated access lines.

3.5.2 Travel Cards

The Customer utilizes an 11 digit "toll-free" access number established by the Company to access a terminal. Upon receiving a voice prompt, the Customer uses push button dialing to enter an identification code assigned by the Company, and the ten digit number of the called party.

3.5.3 800 Service (Toll-Free)

This service is inbound calling only where an 800, 888 or other toll-free prefix number rings into a Customer's premise routed to a specific telephone number or terminated over a dedicated facility.

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Access to long distance directory assistance is obtained by dialing 1 + 555-1212 for listings within the originating area code and 1 + (area code) + 555-1212 for other listings. When more than one number is requested in a single call, a charge will apply for each number requested. A charge will be applicable for each number requested, whether or not the number is listed or published.

3.5.5 Specialized Pricing Arrangements.

Customized service packages and competitive pricing packages at negotiated rates may be furnished on a case-by-case basis in response to requests by Customers to the Company for proposals or for competitive bids. Service offered under this tariff provision will be provided to Customers pursuant to contract. Unless otherwise specified, the regulations for such arrangements are in addition to the applicable regulations and prices in other sections of the tariff. Specialized rates or charges will be made available to similarly situated Customers on a non-discriminatory basis.

3.5.6 Emergency Call Handling Procedures

Emergency "911" calls are not routed to company, but are completed through the local network at no charge.

3.5.7 Promotional Offerings

The Company may, from time to time, make promotional offerings to enhance the marketing of its services. These offerings may be limited to certain dates, times and locations. The Company will notify the Commission of such offerings as required by Commission rules and regulations.

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SECTION 4 - RATES

4.1 1+ Dialing

\$0.249 per minute Switched

\$0.166 per minute Dedicated

4.2 Travel Cards

\$.20 per minute

4.3 Toll Free

\$0.254 per minute

A \$10 per month per number service charge applies.

4.4 Prepaid Calling Cards

\$.25 Per Telecom Unit

Cards will be decremented by one Telecom Unit for each minute or fractional part of a minute for intrastate calls. These rates apply twenty-four hours per day, seven days per week.

4.5 Directory Assistance

\$.95

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4.6 Returned Check Charge

\$20.00

4.7 Rate Periods

	Monday - Friday	Sat.	Sun.
8 a.m. to 5 p.m.*	Daytime Rate Period		Evening Rate Period
5 p.m. to 11 p.m.*	Evening Rate Period		
11 p.m. to 8 a.m.*	Night/Weekend Rate Period		

* To, but not including

When a message spans more than one rate period, total charges for the minutes in each rate period are calculated and the results for each rate period are totaled to obtain the total message charge. If the calculation results in a fractional charge, the amount will be rounded down to the lower cent.

4.8 Payphone Dial Around Surcharge

A dial around surcharge of \$.35 per call will be added to any completed INTRASTATE toll access code and subscriber 800/888 type calls placed from a public or semi-public payphone.

4.9 Universal Service Fund Assessment & Presubscribed Interexchange Carrier Charge

The Customer will be assessed a monthly federal Universal Service Fund Contribution charge on all telecommunications services, which in no event shall be less than the prevailing contribution percentage rate charged the Company on intrastate traffic by the Universal Service Administrative Company (or any successor). A Presubscribed Interexchange Carrier Charge ("PICC") applies on a monthly basis to all Customer monthly bills at the prevailing rate.

ISSUE DATE: December 21, 1998

EFFECTIVE DATE:

ISSUED BY:

Joe Inguagiato, Vice-President

1250 Broadway

Hewlett, New York 11557

TELCORP LTD.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1997

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Telcorp Ltd.

We have audited the accompanying balance sheet of Telcorp Ltd. as of December 31, 1997, and the related statements of income and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Telcorp Ltd. as of December 31, 1997, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

M. R. Weiser & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

New York, N.Y.
April 21, 1998

TELCORP LTD.

BALANCE SHEET

DECEMBER 31, 1997

A S S E T S

Current assets:

Cash	\$ 79,106
Accounts receivable, net of allowance for doubtful accounts of \$7,513	1,087,161
Other current assets	<u>12,777</u>
Total current assets	1,179,044

Machinery and equipment, at cost, net of accumulated
depreciation of \$47,992

18,939

\$1,197,983

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Notes payable - stockholders	\$ 196,637
Accounts payable and accrued expenses	149,848
Commissions payable	35,146
Deferred state income tax liability	20,000
Other current liabilities	<u>104,467</u>
Total current liabilities	<u>506,098</u>

Commitments

Stockholders' equity:

Common stock, no par value, authorized 200 shares, issued 100 shares	5,000
Retained earnings	958,885
Less treasury stock, 33-1/3 shares at cost	<u>(272,000)</u>
Total stockholders' equity	<u>691,885</u>

\$1,197,983

See accompanying notes to financial statements

TELCORP LTD.

STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1997

Telcorp Ltd. billings	\$4,235,541
Cost of usage	<u>2,537,595</u>
Gross profit on Telcorp Ltd. billings	1,697,946
Carrier discount revenue (on carrier billings of \$330,593)	<u>105,790</u>
	<u>1,803,736</u>
Expenses:	
Commissions	279,925
Depreciation	8,905
Insurance	13,561
Billing expense	65,749
Office expense	44,501
Payroll taxes	41,102
Accounting	36,755
Legal	36,457
Consulting and other professional fees	42,973
Rent	84,600
Telephone	19,358
Travel	8,221
Officers' salaries	254,895
Salaries	283,692
Advertising and promotion	7,527
Contributions	1,205
Repairs and maintenance	5,123
Dues and subscriptions	12,364
Entertainment	25,744
Auto expense	41,951
Bad debt expense	750
Computer installation expense	<u>10,404</u>
	<u>1,325,762</u>
Income from operations	477,974
Other income (expense):	
Interest expense	(15,534)
Interest income	<u>19,139</u>
Income before provision for state income taxes	481,579
Provision for state income taxes	<u>12,591</u>
Net income	468,988
Retained earnings, beginning of year	569,897
Less: stockholders' distributions	<u>(80,000)</u>
Retained earnings, end of year	<u>\$ 958,885</u>

See accompanying notes to financial statements

TELCORP LTD.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 1997

Cash flows from operating activities:	
Net income	\$ 468,988
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	8,905
Deferred state income taxes	7,000
Changes in operating assets and liabilities:	
Decrease in accounts receivable - net	42,103
Decrease in other current assets	31,711
Decrease in accounts payable and accrued expenses	(343,660)
Decrease in commissions payable	(12,354)
Increase in other current liabilities	<u>20,204</u>
Net cash provided by operating activities	<u>222,897</u>
Cash flows from investing activities:	
Purchase of fixed assets	<u>(14,384)</u>
Cash flows from financing activities:	
Distributions to stockholders	(80,000)
Decrease in loans from stockholders	<u>(149,645)</u>
Net cash used in financing activities	<u>(229,645)</u>
Net decrease in cash	(21,132)
Cash at beginning of year	<u>100,238</u>
Cash at end of year	<u>\$ 79,106</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for:	
Interest	<u>\$23,017</u>
Income taxes	<u>\$5,591</u>

See accompanying notes to financial statements

TELCORP LTD.
NOTES TO FINANCIAL STATEMENTS

1. BUSINESS:

Telcorp Ltd. ("Telcorp" or the "Company") was formed on January 16, 1991 under laws of the State of New York for the purpose of providing long distance telephone service to business and individual customers throughout the United States.

Under certain tariffs, the Company resells the products of various carriers. The billing and collections for these services are performed both by the Company and the carriers. For the year ended December 31, 1997, amounts billed by the Company aggregated approximately \$4,236,000, while amounts billed on behalf of the Company, by the carriers aggregated approximately \$331,000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Property and Equipment:

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally five years.

b. Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

c. Income Taxes:

The Company has elected Subchapter "S" status under the Internal Revenue Code. Accordingly, no provision for Federal income taxes is required and the results of operations of the Company will be included pro rata in the individual income tax returns of its stockholders. This provision also applies to most states for which the Company is required to file in. The Company records an income tax expense for those states to which this provision does not apply in full.

The Company uses the asset and liability method to calculate deferred tax assets and liabilities. Deferred income taxes are recognized based on the differences between financial reporting and income tax bases of assets and liabilities using enacted income tax rates. Deferred income taxes arise from the use of the cash basis of accounting for state income tax purposes.

d. Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

e. Concentrations of Credit Risk:

The Company maintains its cash balances in a financial institution in New York. Balances are insured up to FDIC limits of \$100,000. At December 31, 1997, the Company had cash balances of approximately \$52,000 in excess of such insurance.

The Company's trade receivables are potentially subject to credit risk. The Company extends credit to its customers based upon an evaluation of the customers' financial condition and credit history. The Company generally does not require collateral from its customers.

3. NOTES PAYABLE - STOCKHOLDERS:

Notes payable - stockholders consist of the following:

Demand note payable, bearing interest at 8%	\$154,137
Demand note payable, bearing interest at 8%	<u>42,500</u>
	<u>\$196,637</u>

4. COMMITMENTS:

The Company is leasing its facility for \$7,050 on a month-to-month basis.

5. RELATED PARTY TRANSACTIONS:

During the year ended December 31, 1997, the Company paid commissions amounting to approximately \$5,000 to a relative of a stockholder of the Company.

6. INCOME TAXES:

Deferred income tax liabilities (assets) are the result of reporting taxable income on the cash basis of accounting while using full accrual accounting for financial statement purposes. Differences in tax basis and financial statement basis assets and liabilities resulting in a net deferred income tax liability are summarized as follows:

	<u>Temporary Difference</u>	<u>Deferred Tax Liability (Asset)</u>
Accounts receivable	\$1,087,000	\$25,000
Other assets	13,000	
Accounts payable	(141,000)	(4,000)
Commissions payable	(35,000)	<u>(1,000)</u>
Net deferred income tax liability		<u>\$20,000</u>

For the year ended December 31, 1997, the provision for state income taxes were comprised as follows:

Current	\$ 5,591
Deferred	<u>7,000</u>
	<u>\$12,591</u>